

Message Text

UNCLASSIFIED

PAGE 01 LONDON 12659 01 OF 02 151655Z

50

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PA-02 PRS-01 FEAE-00 /105 W

----- 082139

R 151635Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3843

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 12659

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING AUGUST 15

BEGIN SUMMARY: ALTHOUGH MOST OBSERVERS AGREE THAT THE
GOVERNMENT'S PROGRAM TO REDUCE INFLATION AND SET THE TONE

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12659 01 OF 02 151655Z

FOR DOMESTIC ECONOMIC RECOVERY WILL BE EFFECTIVE, FIGURES

RELEASED THIS WEEK GAVE LITTLE ENCOURAGEMENT THAT THE END OF BRITAIN'S RECESSION IS NEAR. INDUSTRIAL PRODUCTION IN JUNE WAS AT ITS 1970 LEVEL WITH THE OUTPUT OF STEEL FALLING TO A 24 YEAR LOW IN JULY. WHOLESALE PRICES FOR OUTPUT GOODS CONTINUE TO RISE INDICATING THAT FURTHER INCREASES IN CONSUMER PRICES ARE IN THE PIPELINE. PETER SHORE, SECRETARY OF STATE FOR TRADE, MADE A WIDELY PUBLICIZED SPEECH URGING UK RESIDENTS TO "BUY BRITISH". AT THE SAME TIME HE REITERATED THE GOVERNMENT'S POSITION THAT THE USE OF IMPORT CONTROLS WAS NOT THE ANSWER TO BRITAIN'S PROBLEMS. HOWEVER, HE URGED CONSUMERS TO CAREFULLY CONSIDER THE COUNTRY OF ORIGIN WHEN MAKING THEIR PURCHASES. END SUMMARY

1. INDUSTRIAL PRODUCTION FALLS TO 1970 LEVEL. LED BY A SHARP DECLINE IN THE STEEL INDUSTRY WHERE OUTPUT WAS FALLING TO A 24 YEAR LOW, THE INDEX OF INDUSTRIAL PRODUCTION RETURNED TO THE 1970 BASE LEVEL OF 100.0 IN JUNE FROM 100.5 IN MAY. THE SLIGHTLY NARROWER INDEX OF MANUFACTURING OUTPUT WAS UNCHANGED FROM MAY AT 100.6. OVERALL INDUSTRIAL OUTPUT FELL AT AN ANNUAL RATE OF 12.5 PERCENT OVER THE PAST 3 MONTHS WHILE THAT FOR MANUFACTURING DECLINED BY 10.7 PERCENT ON THE SAME BASIS. THE YEAR ON YEAR DECLINES ARE 9.3 AND 10.1 PERCENT RESPECTIVELY.

2. RETAIL SALES CONTINUE WEAK IN JUNE. THE INDEX OF RETAIL SALES VOLUME (1971 EQUALS 100) ROSE SLIGHTLY IN JUNE TO 104.5 FROM ITS MAY LEVEL OF 102.5. THESE FIGURES CONTINUE TO REFLECT THE IMPACT OF THE BUYING SPREE BROUGHT ABOUT BY THE HIGHER VALUE ADDED TAXATION IN THE APRIL BUDGET. NEVERTHELESS, DURING THE SECOND QUARTER OF 1975 RETAIL SALES VOLUME IMPROVED ONLY marginally FROM THE CORRESPONDING PERIOD OF 1974 (108.7 VERSUS 107.3). STATISTICS ON NEW INSTALLMENT CREDIT CONFIRM THE WEAKNESS IN SALES. WHILE THE SECOND QUARTER FIGURE OF 756 MILLION POUNDS IS 23.1 PERCENT ABOVE THE CORRESPONDING 1974 FIGURE OF 612 MILLION POUNDS, THE 26.1 PERCENT INCREASE IN RETAIL PRICES MEANS THAT CREDIT SALES HAVE DECLINED IN REAL TERMS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 12659 01 OF 02 151655Z

3. JULY WHOLESALE PRICES CONTINUE UPWARD TREND. IN FIGURES RELEASED THIS WEEK, THE TWO MAIN WHOLESALE PRICE INDEXES CONTINUED THEIR UPWARD MOVEMENT. THE INDEX OF RAW MATERIALS AND FUELS PRICES (INPUTS) INCREASED BY 2.1 PERCENT OVER JUNE FROM 227.5 TO 232.3 (1970 EQUALS 100) REFLECTING IN PART THE DEPRECIATION IN STERLING. THE INDEX OF PRICES FOR MANUFACTURED GOODS (OUTPUTS) ROSE MORE SLOWLY MOVING UP 1.3 PERCENT FROM 189.0 TO 191.5. OVER THE

PAST 3 MONTHS, THE INPUT INDEX HAS RISEN AT AN ANNUAL RATE OF 16.9 PERCENT WHILE THAT FOR OUTPUTS ROSE AT A RATE OF 22 PERCENT. THE YEAR ON YEAR CHANGES ARE 9.4 PERCENT AND 24.8 PERCENT RESPECTIVELY.

4. CURRENT ACCOUNT: THE U.K. CURRENT ACCOUNT WAS IN DEFICIT 174 MILLION POUNDS IN JULY COMPARED TO A JUNE DEFICIT OF 40 MILLION POUNDS. THE MAJOR FACTOR CONTRIBUTING TO THE DETERIORATION IN THE TRADE POSITION WAS AN EXCEPTIONALLY HIGH LEVEL OF CAPITAL EQUIPMENT IMPORTS RELATED TO NORTH SEA OIL PRODUCTION. THE ARRIVAL OF AN OIL PRODUCTION PLATFORM FROM NORWAY WAS VALUED AT NEARLY 100 MIL-

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 12659 02 OF 02 151652Z

50

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PA-02 PRS-01 FEAE-00 /105 W

----- 082088

R 151635Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3844

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

UNCLAS SECTION 02 OF 02 LONDON 12659

DEPARTMENT PASS FRB AND TRSY

LION POUNDS. IF THIS ITEM PLUS AN ACCOUNTING OF FOREIGN
PRODUCED SHIPS, WHICH WERE ALSO DELIVERED IN JULY, ARE
EXCLUDED FROM THE FIGURES, THE UNDERLYING TREND CONTINUES
TO INDICATE SUBSTANTIAL IMPROVEMENT OVER THE YEAR. SEE
LONDON 12613 FOR DETAILS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12659 02 OF 02 151652Z

5. EXCHANGE RATE AND GOLD:

(DATES)	8/7	8/14	CHANGE
EXCHANGE RATE	\$2.1055	\$2.1085	UP \$0.0030
EFFECTIVE DEPRECIATION			
(PERCENT)	27.8	27.7	NARROWED 0.1
GOLD	\$165.37	\$160.00	DOWN \$5.37

6. FORWARD DISCOUNT ON STERLING:

(DATES)	8/71	8/14	CHANGE
1 MONTH	0.82	0.72	DOWN 0.10
3 MONTHS	2.32	1.95	DOWN 0.37
6 MONTHS	4.40	3.85	DOWN 0.55

(ALL FIGURES IN CENTS)

7. EURODOLLAR INTEREST RATES:

(DATES)	8/7	8/14	CHANGE
1 MONTH	6-3/4	6-1/4	DOWN 1/2
3 MONTHS	7-3/8	7-1/8	DOWN 1/4
6 MONTHS	8-1/4	8-1/8	DOWN 1/8

8. LOCAL AUTHORITY DEPOSIT RATES:

(DATES)	8/7	8/14	CHANGE
1 MONTH	10-3/8	L0	DOWN 3/8
3 MONTHS	10-5/8	10-1/2	DOWN 1/8
6 MONTHS	10-7/8	10-3/4	DOWN 1/8

9. THE MINIMUM LENDING RATE REMAINS UNCHANGED AT LL PER-
CENT AS OF AUGUST L5.

RICHARDSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC PROGRAMS, ANTIINFLATIONARY PROGRAMS, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON12659
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750283-0107
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750849/aaaabqru.tel
Line Count: 219
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 14 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 OCT 2003 by buchantr>; APPROVED <07 JAN 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING AUGUST 15 BEGIN SUMMARY: ALTHOUGH MOST OBSERVERS AGREE THAT THE
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006